



Arizona State Retirement System

3300 North Central Avenue, Phoenix, AZ 85012

WWW.AZASRS.GOV

Special Notice **Permanent Benefit Increase 2006**

Information:

Member Services Advisory Center

Phoenix (602) 240-2000

Tucson (520) 239-3100

Toll-free (800) 621-3778

Prior to the start of each fiscal year, July 1, the Arizona State Retirement System announces whether a permanent benefit increase (PBI) will be distributed to retirees receiving a monthly pension check. Funds for a PBI are generated by excess earnings on the actuarial value of assets of the ASRS fund. Although the PBI helps mitigate inflation, it is not tied to the federal Cost of Living Index, but is rather defined in statute to be determined based upon the excess average returns.

Over the past dozen years there have been excess earnings and as a result, permanent benefit increases have been distributed. The cumulative effect of these PBIs that have been paid over the past 10 years has been a 35-percent increase in the average retiree's monthly check.

However, at the end of the most recent 10-year period, used to determine the availability of excess earnings (which includes the fiscal 2001 through 2003 year periods of lower returns) there were no excess earnings and, therefore, no PBI was available; nor is expected for the next several years.

Since 2004, the ASRS has again accrued excess returns that will contribute toward future PBIs.

Retirees of the Defined Benefit Plan who have received PBI and EPBI increases over the past years will continue to receive these in their pension check; there will simply not be a further increase for the current year, or the next several years.

The process used to notify our members that a PBI would not likely be paid in 2006 and the next several years included a notice in the July 2005 and July 2006 pension checks, a notice on the ASRS website, updates in the electronically-distributed Weekly Report newsletter, discussions at each new retiree group meeting, discussions at the ASRS Director Outreach meetings held throughout the state in 2005 and 2006, as well as notification to members from various retiree groups.

The ASRS will continue to keep retirees and members informed of the status of the ASRS investment returns and the affect it may have on the permanent benefit increase.

Annualized Rates of Return as of June 30, 2005

	1 Year	3 Year	5 Year	10 Year
ASRS Total Fund	8.5%	9.2%	4.2%	9.4%

(See next page for historical rates of return for the past 10 years.)

Fiscal Year Annualized Rates of Return

Fiscal Year	Return
2004-05	8.5%
2003-04	17.5%
2002-03	2.4%
2001-02	(8.2%)
2000-01	(6.7%)
1999-00	10.0%
1998-99	16.8%
1997-98	21.3%
1996-97	20.6%
1995-96	16.7%